

**Council on Postsecondary Education  
September 16, 2001**

## **Executive Summary**

### **Cross-Cutting Issues**

Less than two months after the September meeting, the council will present its budget recommendations to Governor Patton and the General Assembly. The council will meet again October 10, both for a broad discussion of the revenue streams and expenditures of colleges and universities and to discuss some specific aspects of the 2002-04 budget. Then, at its meeting November 5, the council will formulate its recommendations. Later that month, Thursday, November 15, the council will present those recommendations to SCOPE, the Strategic Committee on Postsecondary Education.

The staff has received special funding requests from the institutions, which were due September 1. We are beginning to analyze these as part of preparing materials for your consideration.

In a broad sense, the postsecondary education budget consists of an operating budget and a capital budget. Within the operating budget are the institutions' current appropriations (the "base" budget), their special funding requests, and the trust funds. Within the capital budget are funds for debt that is retired by the state and debt that is retired by the institutions themselves, and requests for renovation, new construction, and equipment.

Adjustments to institutional base budgets are made by using an inflationary factor prescribed by the state or, if state revenues permit, by comparing

institutional funding with that of similar institutions throughout the United States: the benchmark approach.

The lists of benchmark institutions were developed in 1999 and modified during this year, following the “points of consensus” endorsed by SCOPE and the council. Now we are dealing with how to establish the funding objective using each list. This is essential to measuring how Kentucky’s institutional funding compares to that of institutions Kentucky’s are like or want to be like.

There are a number of ways to determine the objective. We could take the average of all the institutions in the list, or we could exclude the top and bottom institutions as outliers and average the rest. We could simply take the middle institution (the simplest way but one that was criticized in the 2000 session), or we could take the average of the middle three or middle five institutions.

We have tested these techniques and have asked colleagues in other agencies and institutions to do so as well. We do not find much difference among them. The recommendation we bring you has three significant characteristics:

- It is mathematically valid.
- It is fair.
- It can be explained in plain English to people who are not statisticians.

To set a goal slightly above the benchmark median for each Kentucky institution, the staff recommends that the council approve the average of the 50<sup>th</sup>, 55<sup>th</sup>, and 60<sup>th</sup> percentiles as the funding objective for the 2002-04 operating budget recommendation. (For details, see page 21.)